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ABSTRACT

A pilot program, developed by one of the largest construction companies, has had favorable experience in developing management training programs for small, black contractors in Cleveland, Ohio. The program has received national publicity and produced a substantial volume of new business for those who participated in the management seminar at Case Western Reserve University in spring of 1969. This paper highlights the development of the program and suggests common needs of small contractors and ways to provide assistance. (Author)

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DEVELOPING WAYS AND MEANS FOR MINORITY GROUP INCLUSION IN CONSTRUCTION MANAGEMENT

by

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One-tenth of our nation's population owes its livelihood to the construction industry. The industry, like our nation, is made up primarily of small businesses. Small businesses can be defined as firms with an annual gross income of $1-million or less. Such businesses comprise approximately 90% of our job population and provide work for more than 35-million people. By 1975, the U. S. Department of Labor estimates that there will be an excess of 40-million persons employed in contract construction, and that number will represent a 32% increase over 1965.

In the construction industry the "little guy" can still make it on the basis of rugged competition. There are no General Motors' of the construction industry. The construction industry has many attributes conducive to the development of small businesses, because:

(1) The technological requirements for entry are minimal. Any individual can declare himself a contractor.

(2) There is a common perception that managerial experience is unimportant. Emphasis is placed almost always on technical skill.

(3) Capital requirements for entry are very low.

(4) The market for construction is almost entirely local.

Research shows that over 90% of established businesses were organized in response to easy entry conditions. Furthermore, we can identify a direct relationship between the net worth and the life span of a business. As is generally recognized, newcomers tend to be confined to businesses where profits are frequently small, failure rates high, competition keen, and survival chances are poor. Profits tend to be highest in fields where capital needs have been high and expensive facilities required.

Each year while thousands of new businesses are born, and thousands more die or merge with former competitors, most should never have gone into business in the first place because: (1) they lacked sufficient capital; (2) lacked training and experience; (3) lacked knowledge of the market, and (4) lacked management ability. Such conditions are responsible for financial institutions looking at a small contractor's chances for survival as poor. Two-thirds of all small businesses fail in the first five years. While the failure rate for Black businesses is even higher, it is impossible to adequately pin down.

Black Americans number approximately 22.7-million or 11% of the population. They own 2.5% of the 5,300,000 businesses but account only for 1% of business receipts. In the construction industry, there are approximately 6-8 thousand established Black contracting firms.

The expansion of opportunities for minority group persons in employment is one of the best means to increase on a long range basis the total number of business owners. Most successful contractors have had experience either from working for another contractor or from employment in one of the building trades.

To formulate practical recommendations to assist the growth and development of minority group contracting firms requires the harnessing of the entrepreneural spirit, collectively as well as individually. Some new approaches and new efforts are needed to make the system work for those Americans traditionally excluded. Universities and Colleges are required to take affirmative action to ensure the inclusion of minority group persons. These and many other avenues could be explored immediately for campus construction. One difference may be in the attitude of the Construction or Physical Facilities Manager. Does he really want to find a way to help or to take affirmative action?

Beyond the sociological dimensions of contractor development, economic problems become very real for a small contractor. Small contractors will always have competitive disadvantages when in competition with large, established contractors. Large contractors tend to be well-financed, matured, and well-managed concerns.

Turner Construction Company's Cleveland Operations made a commitment to the U. S. Department of Labor's Office of Federal Contract Compliance. This commitment was for the exploration and development of a meaningful Plan of Affirmative Action. One element of the plan had to deal with under-utilization of minority group persons in the contracting end of the business. That responsibility was assigned to me. We were requested to research and develop a pilot program which if successful could be used elsewhere. Our research revealed many common and general needs such as: (1) education and training; (2) financial assistance; (3) managerial assistance; (4) bonding; (5) union acceptance; (6) White contractor acceptance; and (6) a fair share of construction contracts.

Since our company knew construction management and few colleges are prepared to teach this subject, we were in an excellent position to join hands with one of our clients and develop a program. Having a construction contract at Case Western Reserve University was an additional incentive. I would like to briefly sketch our program and outline the pilot program which has now been presented at several colleges and universities.

Pilot Program

Turner Construction Company and Case Western Reserve University co-sponsored a management training seminar for forty-five (45) Black contractors in the Spring of 1969. The significance of this effort has been a focus of concern on a need and the development of some simple practical means to increase business opportunities for Black people in the construction industry.

Black contractors would be faced with identical problems as White contractors in the absence of racism. We cannot realistically deal with economic variables without also acknowledging key sociological dimensions. Eliminating racism in the construction industry would be a giant step in the progress of man. Even before total eradication, overt racist practices could be isolated. Educational institutions have a moral obligation to at least try and open closed minds. Values may change slowly but beliefs can be modified more rapidly.

The development of various forms of minority group contractor assistance was not without some precedent. Efforts had been undertaken in several cities; however we believe that the Cleveland Minority Group Contractor Assistance Program was the first initiated by a major building contractor.

The objectives for the establishment of a program of assistance were both economic and sociological. We wanted to stimulate Cleveland's construction industry to furnish opportunity for minority group persons through educational programs and technical assistance. We wanted to encourage minority group contractors to increase their involvement in all areas of the industry. We also wanted to support minority group contractors for membership in various associations.

Overall, we wanted to help minority group contractors obtain real opportunities.

Here's how we went about our task. First, surveys were made to determine perceived and actual needs of Black contractors. Second, a proposal was made to Case Western Reserve University for co-sponsorship on February 7, 1969. The University agreed to supply classroom facilities, training aids, and related services. Following our agreement, a series of meetings were held with inner-city community organizations. A proposal was developed and refined on the basis of philosophy and ideas of maximum community participation. The principal organizations were highly esteemed by grass-root people. They were the Society of Registered Contractors, a Black contractor association, Hough Area Development Corporation, Workers' Defense League. Several Government officials also gave assistance in effectuating the pilot program.

Selection and Recruitment

Our initial discussions with community organizations were really rough and stormy. There was suspicion and distrust on both sides. There was constant testing of motives, purpose, and sincerity. We were able to build credibility and respect.

We proposed that selection and recruitment of contractors be conducted by the Hough Area Development Corporation, Workers' Defense League, and the Society of Registered Contractors. The requirements for participation in the seminar were developed by a mutual understanding among all parties. The scope of contractor needs was very broad: money to management. A compromise was eventually reached for the inclusion of general contractors, specialty contractors, and even experienced

tradesmen who wanted to start their own business. The Hough Area Development Corporation and the Society of Registered Contractors accepted our proposal and recruited the general and specialty contractors while the Workers' Defense League recruited the novice contractors.

We also assumed responsibility to provide instructors, technical expertise, materials, and employment of participants in order to apply management concepts. Our professional personnel, including the Cleveland Vice President, served as instructors for the twelve (12) weekly evening sessions (March 5 to May 21, 1969).

The scope of the seminar covered: estimating and bidding, contracts, engineering, purchasing and expediting, construction schedules, field supervision and quality control, and accounting and cost control. The Cleveland Trust Company, Ohio's largest bank, was enlisted to provide key personnel to lecture on company finance.

Concurrent with the lectures, the contractors were given consultation on individual job problems. Employment opportunities were extended covering key departments, such as Estimating, Purchasing, and Contracts. Employment was available on either a short or long term basis.

Contractor Response

The seminar was favorably received. While we agreed to an established class of thirty-two (32) participants, during the course of the seminar that number grew. We had sixty-six (66) contractors attending at least one session of the

seminar.

The highlight of our seminar was the awarding of the masonry subcontract on Rainbow Babies' and Children's Hospital for approximately $1-million. This was the largest single contract ever awarded a Black construction firm in the City of Cleveland, and most likely in the State. When the contract was awarded, the pilot program was discovered by the news media. Interest really mushroomed among the participants as well as the instructors. Classes were scheduled to run three (3) hours a week. Every class ran longer. We were most impressed with the way racial barriers were broken as a result of face-to-face communication and the apparent acceptance of Black and White contractors on a man-to-man basis. The new friendships and associations established in the seminar are continuing.

Another interesting aspect of the seminar was the variance of participants' socio-economic and political beliefs. One of the participants happened to be a Minister for the New Republic of Africa. There were Nationalists, Muslims and a varied array of personalities.

From mutual respect, a number of subcontracts have been let and a number of co-ventures have been developed in Cleveland. Other large general contractors became interested in helping to provide similar assistance to small contractors. One company's affirmative actions, taken in a step of faith, broke decades of apathy in Cleveland, Ohio.

Following the seminar, we have awarded subcontracts to minority group contractors and have fostered co-ventures in excess of $2-million.

As an owner or owner-applicant for construction, several colleges and universities have expressed interest in our exploratory work in co-venturing. Two

examples may serve to illustrate this vehicle for expanded opportunities for Black contractors.

On Plaza Nine Office Building in downtown Cleveland, (a project valued at approximately $2.5-million) there are two co-ventures.

Carlton Plumbing Company, a Black non-union contractor, entered into a venture with Reliance Mechanical Contractors, Inc., to handle underground plumbing. Carlton Plumbing Company employed four plumbers while their White partner was able to obtain union acceptance of these plumbers as full-fledged journeymen. This was an historical event in Cleveland.

Our second venture was that of C. J. Electrical Company, a Black unionized electrical contractor, and Hatfield Electric Company, one of the largest local electrical firms. This was the first Black and White electrical joint venture in Cleveland.

Our Cleveland Vice President has repeatedly taken a personal interest in the fostering of co-ventures, which he calls "making a marriage." He repeatedly emphasizes that it is not enough to merely award a contract. There must be an assurance of profit. We assist Black contractors when the need exists. We place heavy emphasis on profitability, work efficiency, and learning by doing. We are acutely aware of the need to avoid corporate paternalism. This can be done by distinction between that which is a hand-out and that which is a helping hand.

We now are serving as a "Big Brother" in a local industry program which we helped establish. The industry program involves even our competitors. It is designed to foster growth and expansion of existing small contracting firms through-

out the Greater Cleveland area. I serve as co-chairman of Consulting Services. From this and other exposure to minority group contractor problems, we have been able to further identify and delineate patterns of needs.

The future demands of construction call for a substantial increase in the number of builders and craftsmen. If we are unable to solve the current problem of under-utilization of minority group persons, how can we solve even greater problems brought on by increased demands?

By the year 2000, statisticians project that our 200-million population will grow to approximately 300-million. Seventy (70%) percent of our present population lives on 1% of the land; and by then, 85% of the people will be living in urban areas on 1½%. The old ways of doing things obviously must give way to social and economic change. We can link our aspirations and the needs of human beings with responsible planning and innovative building. Human and civil rights of <u>all</u> Americans are as important as those specifications for building materials. Do we place as much emphasis on human quality in campus construction as on the quality of the physical properties of the materials? Without equal opportunity practices to include minority group persons, monuments to exclusion will dominate our campuses and cities.

The distance between what is and what might be is a measure of power. We need to ensure a social and economic inclusion of all citizens, most especially those now denied an equal chance. University and College Planners can make that difference!